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BEFORE THE ARIZONA CORPORATION COMMISSION**RECEIVED**

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Arizona Corporation Commission

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AZ CORP COMMISSION
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IN THE MATTER OF THE FILING BY)
CITIZENS UTILITIES COMPANY OF)
UNBUNDLED AND STANDARD)
OFFER SERVICE TARIFFS PURSUANT)
TO A.A.C. R14-2-1606.)

DOCKET NO. E-01032C-97-0774

**COMMONWEALTH'S COMMENTS TO CITIZENS'
STANDARD OFFER AND UNBUNDLED SERVICE TARIFFS**

Commonwealth Energy Corporation ("Commonwealth"), through undersigned counsel, files these Comments to the Second Notice of Filing Direct Testimony dated June 14, 1999, and the July 1, 1999 Standard Offer and Unbundled Service Tariffs filing by Citizens Utilities Company ("Citizens").

Citizens is in essence a "wires" company which buys most of its power from others. Commonwealth objects to the inclusion of non-generation stranded costs in the competitive transition charge ("CTC"). Citizens proposed to recover \$3 million for demand side management, another \$1 million in metering and billing stranded costs, and transition costs in the amount of \$1.8 million, with an additional \$600,000 annually. These charges do not relate to generation, as required under the Proposed Rule A.A.C. R14-2-1601(35) (which refers to "all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets))). Citizens will continue to own and operate its distribution system under regulated rates. Furthermore, Commonwealth objects to the use of the "net revenues lost approach" in calculating the proposed metering and billing costs. It presumes that Citizens would collect the same revenues from its metering and billing services as if there is no competition over a span of 10 years.

1 Citizens suggests that approximately \$3 million of regulatory assets might become stranded
2 as a result of competition. Citizens claims these are previously-deferred and unrecovered DSM
3 and DSM lost revenues, without further explanation. Commonwealth objects to customers being
4 charged for demand side management programs, whether previously deferred or uneconomical
5 because of competition. These programs are available in the competitive market and customers
6 should not be obligated for programs that may or may not have been used.

7 No asset can become stranded until competition occurs. The allowance of metering and
8 billing costs to be recovered both through the customer charge and CTC would result in the double
9 billing of those services. In addition, this double charge would discourage competitors and be anti-
10 competitive. Only after full open access has occurred, and mitigation of these metering and
11 billing costs have been completed, could Citizens begin to make a claim for these potentially
12 strandable costs. Even then, Commonwealth would object to any recovery for the reason that they
13 do not relate to generation and Citizens has had five years already to prepare for this transition.

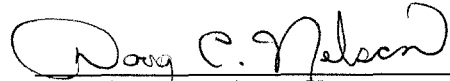
14 Commonwealth also opposes the 10-year recovery period for these stranded costs. This
15 time period extends way beyond when full open competition is anticipated. This time frame
16 would allow Citizens to charge existing and new customers well within the next century for
17 alleged costs in which they had no influence or benefit.

18 All entities, including competitive electric service providers, incur costs associated with
19 changes in the industry. The transition costs of change in the electric industry should be borne
20 by shareholders, not customers. To the extent, these costs are paid by customers, it lowers their
21 savings, raises the profits of shareholders, and deters or precludes rivals from competing.

22 In closing, Commonwealth objects to these stranded costs and transition costs as being not
23 just and reasonable, nor in the public interest.

1 RESPECTFULLY submitted this 14th day of July, 1999.

2 DOUGLAS C. NELSON, P.C.

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8 **ORIGINAL and ten copies** of the foregoing
9 filed this 14th day of July, 1999 to:

10 Docket Control
11 ARIZONA CORPORATION COMMISSION
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14 **COPIES** of the foregoing hand-delivered
15 this 14th day of July, 1999 to:

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